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January 13, 1998

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Magalie Roman Salas, Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, DC 20554

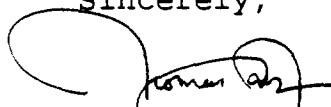
Re: Ex Parte Presentation in CC Docket No. 95-  
116, RM 8535, Telephone Number Portability;  
CCB/CPD 97-30, Application of Reciprocal  
Compensation to Information Service Provider  
Traffic; CC Docket No. 96-262/ Access Charge  
Reform

Dear Secretary Salas:

On Monday, January 12, 1998, representatives of Time Warner Communications Holdings Inc. ("TWComm") met with Kevin Martin, Legal Advisor to Commissioner Harold Furchtgott-Roth. Representing TWComm were Don Shephard, Phil Verveer and Thomas Jones. Attached are copies of the outline distributed at the meeting and which describes the substance of TWComm's presentation.

Six copies of this letter as well as the attached outline (two for each proceeding) will be filed in the above-referenced dockets. Please let me know if you have any questions.

Sincerely,

  
Thomas Jones

cc: Kevin Martin

Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20036-3384  
202 328 8000

Telex: RCA 229800  
WU 89-2762  
Fax: 202 887 8979

Ex Parte Presentation in: CC Docket No. 95-116, RM 8535  
CCB/CPD 97-30  
CC Docket No. 96-262

# **TIME WARNER COMMUNICATIONS**

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## **KEY FCC ISSUES EFFECTING LOCAL COMPETITION**

Donald F. Shephard  
January 12, 1998

**Time Warner Communications is a facilities-based, competitive local exchange carrier, offering a wide range of dedicated and switched business telephony services in 19 metropolitan markets across 10 states.**

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- ◆ Time Warner Communications was established in 1993 to provide dedicated line services to business customers, CAP services to interexchange carriers, and switched dial tone services to residential customers.
- ◆ In 1996, the Company's strategy shifted away from the residential telephony market to an emphasis on business markets. Primary customer base includes:
  - Medium- and large-sized business end users
  - Long Distance Carriers'
  - Internet Service Providers
  - Wireless Communications Companies
  - Governmental Entities
- ◆ Time Warner Communications has aggressively deployed state-of-the-art telephony networks
  - Fully redundant, self-healing, SONET-based digital fiber optic networks constructed in each of the 19 markets.
  - 14 Lucent 5-ESS switches deployed at EOY '97. Further switch deployments planned for 1998.
- ◆ Time Warner Communications has the following competitive advantages:
  - Superior Network Reliability
  - Extensive Fiber Optic Network
  - Strategic Relationships with Time Warner and US West
  - Ability to interconnect cities within market clusters

## **Time Warner Communications' competitive advantage is its investment in efficient, high-quality network facilities....**

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- ◆ IXC plan is to rely on unbundled elements, combined into finished services, at TELRIC prices to build critical mass for facilities investment. There will be little, if any, product differentiation, and service quality can only be as good as the ILEC network being resold. IXCs plan to build critical mass by leveraging their long-distance customer base and their strong brand identity.
- ◆ In contrast, Time Warner Communications and other facilities-based CLECs are investing in facilities that will provide customers with lower-cost, higher-quality telephony services, but which take time to achieve scale economies.
- ◆ Time Warner Communications cannot adopt the ATT/MCI/WorldCom UNE strategy, as it has no established telecom customer base and lacks a powerful telephony brand identification. *Time Warner Communications competitive strength is in its network.*

## **Key Federal Policy Issues impacting Time Warner Communications' ability to compete....**

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- ◆ Commission needs to clarify that ISP traffic is *local* traffic for purposes of reciprocal compensation under its current rulings.
  - Revenue/Cash Flow stake is significant for new entrants.
  - In the absence of FCC clarification, CLECs must pursue costly complaints state-by-state.
  - Potential for states to split on interpretation of the applicability of FCC Rules to reciprocal compensation.
- ◆ The industry urgently needs competitively neutral number portability cost recovery rules.
- ◆ Regulatory policies must maintain a reasonable balance among the three forms of competitive entry.
- ◆ The Commission need not abandon its market-based approach toward Access Reform.
  - Price Cap modifications will insure continued price reductions until competition fully develops.